proved in 1888. His bondsmen are Jesse B. Bank, and a prominent local capitalist; Charles B. Church of 306 11th street southwest, a retired business man, and George T. Deering, deceased. Mr. Deering died only a few months ago. He was a retired con-tractor. Mr. Petty is said to have been most pleasantly reassured by his surviving

In examining Watson's papers this morning the District authorities found an envelope marked "J. M. A. Watson. Personal." Inside they discovered checks signed by Auditor Petty amounting to nearly \$10,000. Some were canceled checks, and some had not been cashed. One of the latter was drawn by the auditor in August, 1901, and made payable in the indorsement to the collector of taxes. Mr. Watson had scratched a pen through the name of the collector. It is impossible as yet to tell just how far his operations have gone. It will require weeks to learn the extent of elever manipulations.

It is not even known as yet just what special funds are the chief sufferers from his peculations. There were three classes of accounts handled by Watson, and the system of checks in use in the office is said to be so lax that the matter has got into a deplorable condition. The best estimate Mr. Petty could give Commissioner West this morning was \$67,500. At one time it was thought the amount was \$73,000. It

may go up or down, as matters develop. In his conference with Commissioner West this morning, Auditor Petty admitted that he had not required a bank return from Watson when the latter had taken funds to deposit. The collector of taxes when sending money to the treasury receives in re-turn a cash ticket, and later a more com-plete acknowledgment from the treasury officials. Mr. Petty did not require such

memorandum from Watson. Commissioner West asked him if he kept close watch on the entries in the bank Mr. Petty said he did not. He assured Commissioner West that he had implicit confidence in Watson, that he knew nothing of his having been an inmate of the reform school and was not acquainted with the rumors that had been floating about as to "where Watson got it." It was then that Mr. Petty declared he aswas then that Mr. Petty declared he assumed entire responsibility. It seems that Mr. Petty is the only official upon whom the loss will fall, although a certain class of depositors may sue the District.

The Deposit Fund.

Perhaps the most vitally interesting point to the taxpayers is the character of the funds from which it is now believed that Watson took the money. The first of these is what is known as the "deposit fund." This fund is created by deposits from the street railroad companies, telephone and telegraph companies and plumbers. They deposit a given amount, estimated by the District engineers, to cover the cost of putting the street pavements in proper condition after they have finished their un-derground construction. Each plumber is required to deposit the sum of \$25 before making a cut in a street pavement. In the case of railroad and telephone companies the amounts deposited are very

An instance of this may be stated just recently. The Great Falls and Old Dominion Railroad Company, which recently se-cured permission to lay a street car track across the Aqueduct bridge, deposited only a few weeks ago the sum of \$25,000 with the Commissioners to cover the cost of al-terations to the bridge. Mr. A. E. Randle, president of the East Washington Heights Railroad Company, deposited the sum of \$4,000 for laying tracks across the Pennsylvania avenue bridge over the Eastern

This money was not turned into the United States treasury. It was paid into the office of the collector of taxes on esti-mates made by the engineers. The collector kept the money separate from the tax accounts and deposited it in a private bank. When charges were to be made against this money the auditor drew a warrant on the collector of taxes and placed the amount so drawn to his credit in another private bank. Mr. Petty would then make payments from the fund on his personal check, with "Auditor D. C." under his sig-

Watson had complete charge of this money and so manipulated it that he drew out of it at will. The average collections for the fund amount to about \$40,000 yearly. but of late this has been largely increased.

The deposit fund was not created by law of Congress. The plumbing deposits were prescribed by the Commissioners in the plumbing regulations, while the deposits of the railroad companies and others for repair of pavements is an office practice of the engineer department approved by the heard of Commissioners. The manner in which the funds are handled was also prescribed by the Commissioners, although they, of course, left the bookkeeping and auditing arrangements in the hands of the

under officials. It is from this fund that it is believed the heaviest drafts were made. Commissioner West stated today that he understands an effort was made two years ago to have the Treasury Department handle these funds, but at that time, it is understood, the officials declared they preferred not to be bothered with the trust account. There have been instances, however, where the treasury has acted as bank for the District, and an effort will now be ade to have the treasury take the money

There is no reason, though," declared Commissioner West, "why the money should not be handled here if the proper safeguards were thrown about it and the accounts kept in a stricter manner." Mr. West said he admitted that he did of know until the developments of yesterday that any money whatsoever was han-dled in the auditor's office. He though that this office simply passed vouchers, accounts

and the like and kept a strict lookout on the expenditures of the other departments. Mr. West said he had left the auditor's office until the last to investigate into its methods. He has gone into the practices of the other departments assigned to him since he qualified as Commissioner, and was about to reach the auditor when the exposure came. Whole Cost Fund.

The second fund from which it is believed that Watson has taken large amounts is what is known as the "whole cost" fund. This fund is created by the deposits of citizens or corporations who are to pay the entire cost of an improvement.

For instance, one of the checks found in Watson's desk today was for \$979, drawn on a deposit by the Capital Traction Company and Bernard R. Green, who had re-quested the construction of catch basins in certain sections of the city which the car lines reached. The "whole cost" fund is separate and distinct from the half-and-half permit and assessment fund. The "whole cost" money is handled entirely by the collector of taxes and the auditor, while the half-and-half money is handled through

In making a whole cost deposit the citizen desiring the work has an estimate made in the engineer department and deposits the amount named in the slip in the office of the collector of taxes. collector puts the money in a private bank. as in the case with the deposit fund de-scribed above, and turns it over to the auditor from time to time as requisitions come to him from the latter.

There is one circumstance with this fund which is rather difficult of explanation. The work itself is done out of the assessment and permit appropriation made by Congress. When Auditor Petry learns the cost of the job he draws a personal check on a bank in which he makes leposits and sends this check to the Treasury Department to repay the assessment nd permit appropriation.

and permit appropriation.

The "whole cost" work is done without act of Congress, but is lumped in with the general assessment and permit work. The Treasury Department officials do not know from what source the money comes so far as the fund under their care is properly replenished from time to time as expenditures are made from the control of the c tures are made from it. The "whole cost" system is an office practice prescribed by the Commissioners in orders made in 1888. The loophole through which this money escaped was in transit of checks from the auditor to the treasury through the collector of taxes. Instead of going to the collector Watson is alleged to have changed the indorsements and cashed the checks himself. He eliminated a number of such checks from all his accounts.

The Personal Fund.

The third fund from which Watson may have stolen, but which has not been determined as yet, is the half-and-half assessment and permit fund. This fund is handled through the Treasury Department strictly in accordance with the law.

When a citizen desires a sidewalk, of which he is to pay one-half the cost, he deposits the estimated one-half cost in the hands of the collector of taxes. This money is immediately deposited by the collector in the Treasury Department and is known as the "permit fund." When the street was brought under section to the charge was brought under section.

The Code Section.

The charge was brought under section to the code, which reads as follows:

A. S. Worthington and Stuart McNamara.

from the assessment and permit appropriation in the Treasury Department.

Then in order to reimburse the appropria-tion for the citizens' one-half the cost, the disbursing officer, Mr. C. C. Rogers, draws a check on the fund created through the deposit of the one-half of the estimated cost and sends it through the auditor and the collector of taxes to the treasury for credit to the appropriation. It is believed that Watson may have intercepted some of these checks between the auditor's office and the collector's office. There may be \$23,000 missing in this connection. This loss would also fall on the auditor, as the disbursing officer draws the checks only upon vouchers and receipts in full for-warded to him by the auditor.

Gone to New York.

No one, save the colored woman servant, could be seen at the Bryant residence, the home of Watson, late this afternoon. She stated that Mr. Bryant, the prisoner's father-in-law, left for New York city this morning to attend to business. She could not, however, state when he was expected to return to Washington, nor the nature of his mission. She also said none of the members of the family were at home.

It is said that Mr. Bryant has gone to New York to raise the money to make good his son-in-law's defalcation. Others say he has gone to Atlantic City to join his daughter.

Watson's Property.

Corporation Counsel Duvall this afternoon stated that he has not taken any action in the Watson case. Mr. Duvall was asked if it is the intention of the Commissioners to endeavor to recover against Mr. Watson's property.

The corporation counsel declined to discuss the matter, explaining that if the au-thorities had any idea of proceeding against Mr. Watson by a civil action they certainly would not disclose their plans in advance.

AT POLICE COURT.

Watson Held in Bond of \$30,000 Today.

Upon the arrival of Watson at the Police Court this morning the prisoner was taken to the court room on the upper floor and turned over to the bailiff, who gave him a seat between a male and female colored prisoner. He had been there but a short time before his counsel, Attorney McNamara, appeared and consulted Prosecuting Attorney Mullowny. As soon as the case on trial was concluded the warrant against Watson was handed to the clerk and the latter called: "James M. Armstrong Watson."

The defendant walked in front of the other prisoners to the rail of the dock and stood there while the clerk read the war-rant. Following the usual question he re-sponded in an almost inaudible tone: "I'm not guilty."

Attorney McNamara announced to the court that it was the desire of his client to waive an examination of the case and have the court fix bond for his appearance to await the action of the grand jury. Mr. Mullowny said to Judge Scott that he had consulted with District Attorney Beach about the matter of bond and had reached the conclusion to ask for nothing

less than \$20,000 bond.
"In fact," the prosecutor added, "we bad a tendency to ask for a greater bond. It was stated that the alleged embezzlement covered a period of eighteen months or two years and not desiring to impose any hardship upon the defendant we agreed upon \$20,000 as the amount which would

be sufficient to insure his attendance." Mr. Pugh, the assistant city solicitor, en-tered court while Mr. Mullowny was discussing the question of bond and showed him a letter he had received from Commissioner West, in which the latter made the suggestion that bond in the sum of \$40,000 should be required. Commissioner West said in his letter that he had seen by the newspapers that \$25,000 was the amount of bond asked, and this amount he deemed to be insufficient. He reached this conclusion from the allegation that the alleged shortage will probably reach \$65,000. Mr. Mullowny said to Judge Scott that be had just received the request from the Commissioner, and he thought he should ve it some consideration.

Points Discussed.

The counsel for the defendant said Mr. Beach had the same opportunity of knowing about the case as the Commissioner. Reports yesterday, he said, alleged that there was a shortage of \$75,000, and this morning it is down to \$65,000. He was unable to tell what the amount will be by evening. Commissioner West, stated, is not directly concerned in the matter.
The court suggested that Mr. Mullowny

might desire to have a further consultation with Mr. Beach. Attorney McNamara called the attention

of the court to the fact that the amount charged in the warrant is \$8,009, and he thought the bond should be about twice this amount, or \$15,000. The bond, he argued, is only for the purpose of insuring his attendance, and there is no probability of the city on his vacation, counsel stated, and returned. Then he has been at his desk three or four days during the investigation of his accounts. He was at his desk yesterday and made no effort to leave the city after he went away from the of-fice. Watson's interests are all here, counsel stated; his property is here, and he has no idea of leaving the jurisdiction. He said he thought \$20,000 was an excessive amount

Mr. Mullowny said he would ask that the bond be fixed at \$25,000, in view of the suggestion made by Commissioner West. He explained that the court was not bound by his suggestion, and that bond in a larger amount might be required if the court felt disposed to impose it.

After counsel for the prisoner had inter-

posed another objection, the prosecuting attorney said that application could be made in the upper court for a reduction of ball should the amount fixed by the Police Court be deemed excessive.

Finally Fixed at \$30,000.

Mr. McNamara repeated the suggestion that the court fix the bond at \$15,000, and said his client would be on hand when wanted. He characterized his conduct checks. yesterday as a surrender to the authorities. Mr. Mullowny replied that the fixing of bond at \$25,000 would impose no hardship on the defendant at this time.
"It certainly will impose a hardship on him at this time," said Attorney McNa-

His client, the attorney went on to say, had no intention of leaving here, and said the rules of the bonding company were such that he would find it a difficult matter to get one of them to qualify as his surety His father-in-law, he said, is in the city, and will become answerable for his appearance to answer any charge the grand jury

Judge Scott said he was ready to dispose of the question of bail. He spoke of the consultation Mr. Mullowny had with the district attorney, and remarked that Com-missioner West knows what he is talking

"I will certainly not fix bond in an amount less than the attorney first asked," the court said, and assured counsel that newspaper reports would not be considered in determining the question. The judge said he would fix the amount at \$30,000, an intermediate sum between the amount first asked and that suggested by Commis

Question of Bail.

The papers in the case were sent from the Police Court to the clerk of the Supreme Court of the District about 1:30 o'clock this afternoon. This action takes the case out of the hands of the Police Court. If bond is given it will have to be taken with the approval of one of the judges of the Supreme Court of the District. In all probability counsel will make application for a reduction of bail. Under the rules of the bonding companies Watson will have to bonding companies Watson will have to the results of the same and was sentenced to the reform school, because his parents claimed that the was under seventeen years of age at stated this afternoon that Watson's fatherin-law had gone to New York, but it is believed by some of the officers that he has gone to Atlantic City to get his daugh-

Up to 3 o'clock Watson had not filed any bond and it was stated he will be taken to jail by Deputy United States Marshal Lacey at 4 o'clock, unless bond is filed in

"Whoever, being charged with collecting, receipt, safekeeping, transfer or disbursement of public money or other property, or of effects belonging or payable to the District of Columbia, or in the custody of the same, fraudulently convert to his own use, or to use of any other person, body corporate or association whatever, or uses, by way of investment, in any kind of security, stock, loan, property, or in any other manner or form loans, with or without interest in any company, corporation, association or in any company, corporation, association of individual, excepting by depositing in bank to said party's own credit, in the usual course of business any public money, funds, property, bonds, security, assets or effects received, controlled or held by him for safekeeping or for any other purpose shall forfeit all rights, by way of commission or compensation, to any part of the said money or other prop-erty and shall be deemed guilty of embez-zlement of the whole of the money or other property thus converted, used, invested, loaned, deposited or paid out, and shall be imprisoned for not more than twenty years and fined in a sum not exceeding double value of the money or property embezzled.'

Forgery Also. The transaction upon which the District authorities have based their warrant and first charge against Watson is in regard to a check and voucher for \$8,009. It is believed that in this connection Watson is guilty not only of embezzlement, but forgery as well. He is alleged to have prepared a voucher, signed by the auditor, for the transfer of the amount stated from the deposit fund to the assessment appropriaion. Mr. Petty asked for an explanation, and Watson glibly gave it.

and Watson gibly gave it.

Mr. Petty signed the check. It was placed to the deposit of Watson at the Citizens' National Bank, and afterward, when Watson made a settlement at the bank, was destroyed by him. Watson is said to have acknowledged the destruction of the check to Mr. Alonzo Twedale, the deputy auditor. The assessment and permit funds above referred to coincide with each other so often, and being continuing affairs, a great deal of confidence has to be placed in the honesty of the man in charge of them. Their character and the manner of hand ling them permit of irregularities that it is said it is almost impossible to obviate. The funds are handled in lump sums. It will require an examination into almost

years to get Watson's affairs straightened up. The task is almost appalling. The banks in which Mr. Petty has made his deposits of trust funds are the Traders' National, the Central National and the National Capital. He received from these a statement of the balances on hand there today, but cannot tell as to how they tally with the correct figures that should obtain

every transaction in which this fund has been drawn upon during the last few

Where It Went. An effort is being made to learn what has become of all the money alleged to have been taken by Watson. It is the general belief that he has sunk it in the various

enterprises in which he was interested. In addition to the newspaper, the barbershop and the patent medicine concern, he is said to have backed a bucket shop on F street until recently. It is presumed that a considerable portion of the money may have gone into this. Watson also engaged with a partner at the District building some time ago in selling tips on the races, both at the local and metropolitan tracks. His connection with the paper is also being inquired into. Mr. Lapham was with him in the paper enterprise, and it is charged that both used their District positions to influence people to subscribe.

There is a great deal of talk at the Dis-

trict building today concerning the "Dis-trict Co-operative Association," which sprung into existence at the magic touch of Watson, and without the knowledge of the District Commissioners. The officers of this association, as they appear on letter-heads and circulars distributed by Watson, are:
A. M. McKenzie, president; D. C. Patterson, vice president; J. M. A. Watson, secretary and treasurer; F. G. Davis, F. H. Loving and E. E. Jones, executive commit-

supposed to have been Mr. Alexander Mc-Kenzie, formerly deputy auditor, but now a member of the board of personal tax appraisers. Mr. McKenzie admitted today and a depositor, but denied that he was president. He declared he had never accepted any such office. Mr. McKenzie went to the Central National Bank today to earn if any funds were on deposit there to the credit of the association.

He was asked if he was president, and was told if he did hold the office the bank

The president mentioned is generally

would give him the information desired.

Mr. McKenzle said he was not the president. The vice president appearing on the letter heads is Dr. A. C. Patterson of the health office. Mr. E. G. Davis, the collector of taxes, said he also had subscribed to the association, as he believed it a good scheme to keep the clerks from borrowing from their chiefs or from one another. The association proposed to lend money at 3 per cent interest for fifteen days. Mr.

Davis said he had never been acquainted with the fact that he was a member of the executive committee. The other two members of the committee as appointed are Mr. Loving of the auditor's office and Mr. Jones of the disbursing office, Mr. Loving stated today that he believed the affiliary of the acceptance were intent to the committee of the acceptance when the committee of the acceptance were intent to the committee of the acceptance when the committee of the acceptance were intent to the acceptance of the acceptance of the acceptance when the committee of the acceptance are acceptance of the accept fairs of the association were intact. The Commissioners this afternoon issued an order officially dismissing Watson from his place in the auditor's office, taking effect yesterday. A copy of the order was sent to him at the Police Court.

In Reform School.

In regard to Watson's term in the reform school it is alleged that he pleaded guilty in March, 1890, to an indictment charging him with forging checks of Dr. A. P. Fardon on the West End National and the Columbia Banks to the sum of \$2,750. He claimed to be under seventeen years of age, and was sentenced to the reform school until the age of twenty-one. "He was then." said Dr. Fardon last evening, "a young fellow with black eyes and black hair, with a keenness that always attracted attention." Dr. Fardon went on to tell of the sharpness and shrewdness with which young Watson had cashed the forged

Watson worked for a man named Eric Noble, an accountant, who had desk room in the office of a real estate broker on F street. He soon attracted the attention of the doctor, who took an interest in him. One day, however, the doctor discovered that some one had forged a check for \$350 in his name at the West End National Bank. An investigation ensued, and C. P. Williams of the bank recognized Watson as the man who had presented the check. He had cashed another \$350 check with the same bank and checks to the amount of \$2,000 at the Columbia Bank. He had been accustomed to cash checks for the doctor at the latter's request, and then began the plan of making a check for the same amount as that the doctor had, and cashing both.

Before undertaking this, however, he had practiced the doctor's signature or a facility.

practiced the doctor's signature, and finally became so expert that when all the checks were examined by Dr. Fardon the latter could not exactly tell which checks he had signed and which had been forged by the

boy. Young Watson finally confessed and picked out the checks which he had forged. It was also shown at the time that Watson had practiced the imitation of the handwriting of several men in the office, as writing of several men in the onice, as sheets covered with signatures were found. Dr. Fardon said that this work was remarkably clever. In addition to cashing the checks, young Watson had planned to secure them from the bank and to destroy them. He did this in one instance.

bonding companies Watson will have to pay \$1,500 for a bond of \$30,000, and this amount, it is stated, he is unable to pay at this time. When his wife returns home from Atlantic City she may be able to arrange for her husband's release. It was a released. Dr. Fardon says, he was released this efferment that Watson's father. markable talent as a penman. He wrote a splendid hand, and was an adept at im-itating the writing of others. In fact, he was a sort of youthful "Jim the Penman."

Motion for Reduction.

A motion that the amount of ball in the Watson case be reduced will be submitted to Justice Pritchard in Criminal Court No. 1 at 10 o'clock tomorrow.

The foregoing arrangement was effected

at the office of Mr. Morgan H. Beach,

111 who have been retained as counsel by Mr. Watson.

The United States attorney will not consent to a reduction in the amount of bail.

Officers Make the Arrest. The arrest of Watson was recorded at police headquarters as having been made at 7:05 o'clock, although he was really in custody about three hours earlier. He was found at the house of his father-in-law, John H. Bryant, 2020 Columbia road, where

he also lived. So far as the detectives learned, the young man had made no effort to leave the city. Detectives Flather, Parham, Tyser and Hartigan effected the arrest and took the young man to the tenth police station after remaining at the house with him about two hours. As stated in The Star of yesterday, the police officials were kept on the move after Major Sylves-ter and Capt. Boardman were told of the alleged shortage in Watson's accounts. Dedo what might have been accomplished in the District building earlier in the day had they been advised of what was going on there during the morning hours. Watson had plenty of time to leave the city had he been so disposed, and might possibly have reached Canada.

Detectives Flather and Parham were the first members of Capt. Boardman's staff to reach the Columbia road house. They were politely informed that no members of the family were at home. They withdrow from the house fully satisfied that they had been misinformed, and while they left the neighborhood for a short time they did not go until they placed a police guard about the premises. A few minutes after they had departed the house was visited by Detectives Hartigan and Tyser. Mr. Bryant assured the detectives that he would have his son-in-law at the house at 6 o'clock and requested that the latter be granted the privilege of taking dinner with him. The detectives assured him of compliance with the request, and he then informed them Watson was in the house and had been there most of the afternoon.

Accompanies Officers to Station. Watson remained at the table until dinner was finished and he then went to the police station. During the time he was in custody of the detectives he conversed with them freely, telling them that his trouble was the result of the loose way of keeping the books. He had but little to say concerning the alleged defalcation. He made no protestation of innocence nor did he admit his guilt. A warrant alleging the embezzlement of \$8,000 had been sworn out by Auditor Petty, and it was upon this charge that he was held in custody. Bond was fixed at \$25,000, but no bonding company's representative was found last night who was willing to take the risk. When it be-came certain that bond would not be given last night the young man with a twenty-hour automobile record between this city and New York was escorted to a room in the rear part of the county police station. He fully realized the gravity of the situation when the heavy iron gate was closed upon him and the clicking of the lock advised him that he was deprived of his freedom. During the time the detectives had him in their charge he said nothing about his wife except that she was in Atlantic called at the station and saw the man who had been a trusted employe and whom he had befriended. Both men were greatly affected. Mr. Petty remained in conversation with the prisoner a short time.

Mr. Baker, who was formerly a member of Congress from New Hampshire, and later a candidate for the Senate from that state, gave the following explanation of the mining company:

Treasurer Polymer Polym

Watson is Photographed. Watson left the tenth precinct police station this morning in charge of Policeman Hunt, and rode to police headquarters on a street car. Reaching the headquarters of the police department Watson entered without even glancing at the District building. out even glancing at the District building, where he had been employed as a clerk and where, it is alleged, he appropriated so much money. "Ascending the stairs he was taken to the third floor of the building to the rooms of the local bureau of identification. In this room the alleged defaulter met Photographer Johnson, Clerk Rabbitt and others. Facing him was the big machine that has been used for the purpose of photographing so many alleged wrong doers. He realized that the taking of his picture was inevitable. picture was inevitable.
"I'm going to take a good picture of you," remarked the man at the instrument. at the instrument.

"and will not make one that will give you the appearance of some of our rough Making him comfortable on a chair and getting him in position the photographer remarked: "Wet your lips and look pleas-

watson smiled, and in a few seconds the ordeal was over. Two negatives, one with the hat on his head and another with it off, were taken, and Watson was ushered into the adjoining room, where it was necessary for him to remove his coat and shoes and stockings and go through the measurements of the Bertillon system. When this work was completed by Clerk Rabbitt he was escorted to the Police Court by Detectives Hartigan and Parham.

All a Mistake.

While in custody at headquarters he was seen by a Star reporter and asked for a "It's all a mistake," he said. "That's all

I have to say." Asked if he had read in a morning paper what purported to be an interview with him he answered in the affirmative, and said he regretted to say that it is true. The interview in part is as follows:

"When I returned from my leave," said When I returned from my leave, said Watson, "I reported at my office, and was informed by the deputy auditor that while I was away my books and accounts had been found to be kept in a very careless." manner. Some papers had been misplaced, and the matter was under investigation. I was distinctly informed that I was not un-der suspicion, but that I must report at the office regularly to assist as far as might be to help in straightening out various matters on the books. Mr. Petty sent for me and gave me a good scolding for the man-ner in which my books were found, but at no time did he accuse me of defalcation, nor mention that he thought there was a shortage. He did mention a check for some \$7,500, which could not be found, but he ha since informed me that this check has been

located.
"You may imagine, therefore, with what surprise I learned that I was accused of dishonest conduct. I was at the office this morning, attending to my duties, as usual, especially in the line of straightening out what I admit to have been careless methods in bookkeeping. I left there before 11 o'clock and went about town, as usual, attending to some matters of business. In the afternoon I went to look at some property in the northwest section of the city. I went home at 4 o'clock, or a little before. and was told by my father-in-law that the police were looking for me.

Was Greatly Surprised.

"I was greatly surprised, but remarked that I was at home and could be found when wanted. I did not at the time know that my house was surrounded. When therefore, the detectives called in company with a friend of mine, I had no hesitancy in admitting them."

"How about the charge that you were formerly an inmate of the reform school, on the charge of forgery?" he was asked.
"That is at youthful episode concerning which I would prefer to say nothing," he replied. replied. "What is the estate you represent, and

what are your relations to it?" was the "I am receiver for the estate of Mrs. Bes sie Woodward, and in that capacity I am under bonds in the amount of \$20,000," he "What is the nature of the District Co-

operative Association, of the District Co-president and manager?" operative Association, of which you are president and manager?"

"This is an preaplization where employes of the District Building are permitted to purchase stock at \$10 per share. These stocks they purchase from their salaries, paying so much down each month. When the stock is paid for, they are then at liberty to borrow on their stock, paying 10 per cent interest. They can also purchase from a local merchant, giving an order on their stock. This order is subsequently taken up by the company, discounted at 10 per cent. This enables the employes to save their money and to make purchases which would otherwise embarrass them. It is a plan well known and operative in other departments, and is especially exempt from taxation by act of Congress."

"Are you under bond in this association?"

"No. I am not. It has been a matter of neglect on my part. But I can assure you that the association is absolutely solvent, and in a position to pay every dollar of liabilities today, should the demand be made."

John Krause, a resident of Georgetown, was selzed with a fit this morning near New Jersey avenue and H street north-

MR. MACHEN'S INCOME

What He Said It Was Independent of His Salary.

THAT MINING COMPANY

TREASURER BAKER MAKES A STATMENT ABOUT IT.

Mr. Speich Makes an Explanation of His Change to the Rural Free Delivery Service.

According to his own statement, August W. Machen has an income independent of his former salary as general superintendent of free delivery, of \$1,000 a month. This income is derived, he says, from his oil properties in Ohio. This statement was made by Mr. Machen a short time before the present post office investigation was begun, and in a moment when he was feeling n a particularly happy and optimistic

Mr. Machen's friends declare with much rehemence that he is not being treated fairly by the secret manner in which the government is conducting its im. The abandonment of the preliminary hearing, it is stated, places the govern-ment in the attitude of condeming Macher as a criminal, and then bottling up the evidence so that the country may have no means of judging whether there really is a case against him or not.

The Mining Company.

With the understanding that an investigation has been begun or is about to begin into the official acts of H. H. Rand, confidential clerk to Postmaster General Payne, interest is manifested in the National Capital Mining Company, of which Mr. Machen is president and Mr. Rand vice president. Mr. Rand was seen by a Star reporter today and asked if he had any statement to make in view of the notoriety he was getting. He replied that because of his relations with the Postmaster Gen-eral he had refrained from being interviewed. However, he believed that statements had been made which should be corrected, mining company with which he is connect-

Mr. Rand referred the reporter to Mr. Henry M. Baker, treasurer of the mining company, with whom he said he had recently had a conference, and who he said would undoubtedly be able to correct these false impressions.

Mr. Baker, who was formerly a

"The company was organized under the laws of Virginia a year ago last April, with a capital stock of \$150,000. The work of perfecting the organization was done by myself. Mr. Machen was elected president, Mr. Rand vice president, Mr. King secretary and myself treasurer. At the annual election in April last Mr. King declined re-election and Mr. F. M. Criswell was elected

The property was originally located by Dr. S. W. Scott in the state of Michoacon, Mex., and the title was put in the name of Mrs. Sarah Denton Scott. Upon the or-ganization of the company upon the terms which had been agreed upon, which was that the parties owning the mineral rights in Mexico should have one-third of the capital stock and \$15,000 in cash, the rights vested in Mrs. Scott were transferred to the company. The property consists of nearly two thousand acres, on which there veloped, the company still being engaged in the work of developing the outcroppings of mineral in several locations. As has been said, \$50,000 of the stock went to the parties represented by Mrs. Scott, and about 50,000 shares have been sold at 37½ and 50 cents a share, from which sales has been derived the \$15,000 agreed to be paid to Mrs. Scott, and also money for taxes and development. The re-

mainder of the stock, or 50,000 shares, still remains in the treasury of the company. No officer of the company has received any compensation for his services. company, was acquainted with Dr. Scott, and under an agreement with him was instrumental in the formation of the com-pany. It is understood by the other shareholders that he received some compensation from the Scotts for his services in that regard. It is a matter of no concern to the company what he received, as whatever he did receive came from the share of the Scotts, which was a part of the purchase

money of the stock. 'No share of the stock of the company has been disposed of other than for cash, and no one has received any favors in connection with price. The majority of the stock is undoubtedly owned by parties in this city. I do not know the employment of the stockholders, but some of them, notably Mr. King, Mr. Rand, Mr. Machen and Mr. Fenton, were in the employ of the Post Office Department. I never heard of any subordinate being 'bulldozed' or unduly influenced in any form, shape or man-ner to take stock in the company."

Gen. Dudley's Fee.

The payment of a fee of \$100 to General William W. Dudley, member of a local law firm and former commissioner of pensions, in connection with the location of a postal substation in the drug store of John W. Stone in the business section of this city has been investigated by the post office in-

General Dudley acknowledges having been paid for his services in connection with the location of the substation, and says that it was entirely a legitimate transaction. "Mr. Stone," said General Dudley today, 'was a Maryland republican, who came to me and said he believed I could help him in getting the substation, which he desired. I consulted Postmaster Merritt, pleaded for Mr. Stone as best I could, and

succeeded.
"Four or five years ago I helped Dr. Prentiss to secure a substation in that vi-cinity, but I did not charge him for the work. Mr. Stone came to me as a stranger. legal business, but we have to take up lit-tle matters of that kind as occasion offers to meet our office expenses.'

Druggist Stone complained that after only three months the station that cost him \$100 was summarily removed across the street. Mr. Speich's Explanation.

It was stated in The Star yesterday that Emanuel Speich, bookkeeper in the free de-

livery system, had accepted that place at \$1,600 the next day after resigning a \$2,000 position under the fourth assistant. Mr. Speich in explaining his reasons for accepting the reduced salary says that the act was not a voluntary one on his part. The fourth assistant desired to give his place, which was the chief clerkship of the divi-sion of mail depredations, to a man who had had experience in the field. He of-fered Mr. Speich a \$1,600 place in the field, but this Mr. Speich declares he could not accept on account of his private business interests in this city. In discussing the matter today Mr. Speich gave the history of his transfer as follows:

"During the last week in October, 1901, was informed through Chief Ingrester.

I was informed through Chief Inspector Cochran, who was my immediate superior officer. that General Bristow desired to make a change in the chief clerkship of the mail depredations division, then held by myself, as he wished the place filled by a man having actual field experience. He tendered me at the same time a position as field inspector at \$1,600. This position it was impossible for me to accept on account of the extensive local business enterprises in which I was then engaged.
"When this matter was brought to the

attention of Mr. Machen he as once of-fered to recommend me to a place in the rural free delivery service at \$1,600, with the further promise to advance me within a reasonable time to \$1,800, which was afta reasonable time to \$1,800, which was afterward done. This proposition was submitted to Postmaster General Smith, who withheld final action in the matter until it was coupled with a hearty indorsement by Chief Inspector Cochran, directed to the then Postmaster General, with the result that the transfer was made. I had never contemplated entering the rural free delivery service until compelled to resign the position I then held at a salary of \$2,000 under the fourth assistant. But to have accepted the transfer to field work at \$1,000 would have

been a greater sacrifice than to accept the lower salary in the rural free delivery service which allowed me to remain in Washington. Hence the only alternative left me was to separate myself entirely from the

The Tyner Case Not Taken Up. Heavy Liquidation at Opening No witnesses appeared today before the rand jury in connection with the Post Office Department investigation, and, therefore, the Tyner case has not yet been called to the attention of that body.

APPEAL TO COURT.

Milk Dealers Allege They Are Subject to Impositions.

At a meeting of the Milk Dealers and Producers' Association, held last night, it was stated that impositions had been practiced upon dealers by inspectors of the health department, and a committee, consisting of Mr. E. N. Febry, president of the association; Mr. Blunt and W. A. Simpson was appointed to employ counsel to appeal the grievances to court. The association has been in existence about three years and numbers about 125 members, spread over a territory extending into Maryland and Vir-

Its officers are: Mr. F. M. Febry, president; A. S. Trundle, secretary, and Corbin Thompson, treasurer. Circulars are being out to secure new members It is claimed by the officers of the association that members have been subjected to impositions on the part of the eight or ten milk inspectors, who are authorized by the health department to scrutinize the methods of the milkmen and to swear out warrants for their arrest for alleged violations of District regulations. The milk men claim that these inspectors are not competent to perform their duty, in that they are not practical dairymen, and yet they have authority to enforce regulations which only an expert is competent to deal with.

A rule especially distasteful to the milkmen is the one requiring a broom and sponge to be kept in each wagon, to be used in cleaning up during each trip. They also object to inspectors accompanying them on their trips of delivery, as it is claimed they are in the way.

INTEREST IN BUDGET BILL.

Houses of Parliament Crowded to Hear Debate.

LONDON, June 10.-That the interest in the political situation had been enhanced by the dramatic developments yesterday was fully evidenced today by the remarkable animation and alertness of everybody in and about the houses of parliament when the time approached for the resumption of the debate in the house of commons on the amendment of Henry Chaplin (con-servative) to the budget bill.

The answers to the questions not referring to the great problem of the day passed almost unnoticed, so keen was the anxiety to get to the all-absorbing topic. The debate was resumed by Mal. Seeley (conservative), who as a convinced free trader, rejoiced in the repeal of the grain

SUGGESTED BY FRIENDS.

Two Candidates for Place on the District Bench. Members of the bar today continued to

evince interest in the matter of the appointment of an associate justice of the Supreme Court of the District of Columbia, to succeed Justice Hagner, retired. The name of Representative Jenkins has been added to the list of candidates. It is said that friends of Mr. Arthur A. Birney of the local bar have been working quietly, but earnestly, in his behalf, hoping that he will be selected for the vacancy.

REVOLT ENDED.

Venezuelan Insurgent Leaders Go to Curacao.

WILLEMSTAD, Island of Curacao, June supported him in the revolutionary movements in Venezuela have returned here. The revolt against President Castro is

Washington Stock Exchange.

Sales—Regular call, 12 o'clock m.—Capital Traction 4s, \$1,000 at 106½, \$1,500 at 106. Chesapeake and Potomac Telephone 5s, \$1,000 at 106½, \$1,000 at 121, \$1,000 at 183½, Washington Stock Exchange.

age, 106% bid, 106% asked. Washington Savings Bank, 106 bid. American Security and Trust cert., 140 bid, 150 asked.

Railroad Stocks.—Capital Traction, 1234 bid, 124% asked. Washington Railway and Electric, pref., 41 asked. Washington Railway and Electric, com., 9 bid, 11 asked.

National Bank Stocks.—Bank of Washington, 440 bid. Metropolitan, 660 bid, 800 asked. Central, 300 bid. Farmers and Mechanics', 300 bid. Second, 145 bid, 151 asked. Citizens', 239 bid, 245 asked. Columbia, 200 bid. Capital, 169 bid. Traders', 150 bid. Lincoln, 128% bid. Riggs, 590 bid. American, 108 bid, 110 asked.

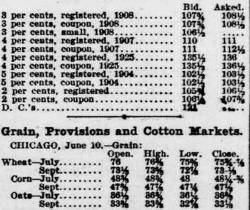
Insurance Stocks.—Firemen's, 25 bid, 30 asked. Franklin, 48 bid, 55 asked. Metropolitan, 75 bid, 90 asked. Corcoran, 75 bid. Potomac, 60 bid, 70 asked. Arlington, 31 bid. German-American, 200 bid. National Union, 7% bid, 9 asked. Columbia, 11% bid, 12% asked. Riggs, 8% bid. People's, 6 bid, 7 asked. Columbia Title Insurance Stocks.—Real Estate Title, 90 bid, 110 asked. Columbia Title, 4 bid, 5 asked. Telephone and Graphophone Stocks.—Chesapeake and Potomac, 48 asked. American Graphophone, pref., 7 bid, 8% asked. Lanston Monotype, 9% bid, 9% asked.

Miscellaneous Stocks.—Greene Con. Copper, 19%

183% bid, 183% asked. Lanston Monotype, 9% bid, 9½ asked.

Miscellaneous Stocks.—Greene Con. Copper, 19% bid, 19% asked. Washington Market, 16½ bid. Norfolk and Washington Steamboat, 210 bid. J. Maury Dove, 130 bid, 135 asked. Realty Appraisal Agency, 22½ bid, 24½ asked.

Government Bonds.



CHICAGO, June 10.

Baltimore Markets. BALTIMORE, Md., June 10.—FLOUR—Quiet; unchanged; receipts, 7.861 berrels.

WHEAT—Dull; spot, 80a80½; June, 80½ asked; July, 78½ asked; steamer No. 2 red, 76a76½; receipts, 6,729 bashels; southern by sample, 76a80; do. on grade, 78½a80.

CORN—Firmer; spot, 53½a53%; June, 53½a53%; July, 53½a53%; steamer mixed, 50a50½; receipts, 36,049 bushels; southern white and yellow corn, 50a56.

50a56.

OATS-Firm; No. 2 white, 42a42½; No. 2 mixed, 39a39½; receipts, 76,564 bushels.

BYE-Firm; No. 2, 56a56½; No. 2 western, 57a 57½; receipts, 1,762 bushels.

HAY-Firm, unchanged.

GRAIN FREIGHTS-Dull, unchanged.

FINANCE AND TRADE

of Stock Exchange.

ACTIVE ISSUES SLUMP

RALLY SETS IN AND BULLS TAKE

HOPE FOR BETTER PRICES. New Low Records Established by Steel,

Copper, Sugar, B. R. T., Baltimore

and Ohio and Others.

NEW YORK, June 10 .- Prices of stocks

this morning were smashed under an ava-

lanche of liquidating sales when the market opened. Blocks of 1,000 to 8,000 shares of the principal active stocks were thrown upon the market and let go on running sales showing wide fractional variations for simultaneous quotations. Losses on the average were over a point. The selling seemed to come from all quarters, and general discouragement over the business outlook was the attributed cause, aggravated by the serious flood news from St Louis and the political excitement in England. There was a large short interest evidently, which took advantage of the opening break to cover, and powerful interests executed supporting orders in the market. As a result there was a substantial recovery, which carried some leading stocks back to or above last night, but the higher prices caused a falling off in the buying and were taken advantage of for renewed sales to liquidate, so that prices were lower than before by 11 o'clock. There was a rally again a little later, but the market continues much excited and very feverish. The stock market opened under a flood of liquidating sales thrown upon the market in enormous blocks and at wide quotations. Eight thousand shares of Atchison sold at 65 and 64%, compared with 65% last night. Six thousand shares of Eric went at 29½ and 30, compared with 30% last night. Three thousand shares of Pennsylvania sold at 123½ and 123½, compared with 123½ last night, and 3,000 shares of United States Steel sold at 29 and 20½, compared with 29% last night. All of the leadng active stocks amongst the trunk lines, coalers, Pacifics and grangers were dealt n in 1,000 to 2,000 share blocks at declines

of a point or over.

Louisville and Nashville slumped 3%.

Erie second preferred 2%. Southern Pacific 2%. Kansas and Texas 1% and Pressed Steel Car 1%. There was a quick rally of 2 points in Louisville and Nashville, a point in Southern Pacific, and higher prices on second quotations elsewhere. conditions at St. Louis and notable depres sion on the London market were factors in the heavy selling.

Baring, Magoun & Co. will ship \$000,000 gold coin to Buenos Ayres the latter part

The smash at the opening was taken advantage of by shorts to cover and there were substantial recoveries which brough Pennsylvania, St. Paul, Baltimore and Ohio and Missouri Pacific a shade over last night. New York Central and Amalgamated were lifted to last night's level and the Pacifics, Atchison and the Eries to within a fraction. Northwestern, ex divi-dend, sold 2% over last night. As soon as it was perceived that the buying was de creasing at the rally the pressure to liquidate was renewed, and by 11 o'clock new

low records were being established.

Missouri Pacific broke through par to 90%. Declines in Norfolk and Western reached 2%. Erie first preferred, 2%; Can-adian Pacific, 1%, and Atchison, Union Pa-cific, St. Louis Southwestern, Brooklyn Transit and other stocks lost 1 to 2.
Wheeling and Lake Erie first and second preferred, and Railway Investment preferred lost over 4; Brooklyn Union Gas. 3%; Pere Marquette, 3½, New Jersey Central and Canada Southern, 2½, and some other minor stocks, 2.

The market continued nervous and excited, and the occasional rallies seemed to be due only to quick profit-taking by room shorts. The higher prices were made a basis for renewed liquidation. Prices dur-ing the second hour went lower than before. Baltimore and Ohio touched 79%. Chesapeake and Ohio, 35%; Atchison, 63%; Wabash, 20; St. Paul, 1471; Union Pacific wabash, 20; St. Paul, 1474; Union Pacific, 77; Erie, 284; Reading, 414; Ontario and Western, 214; Illinois Central, 1304; Southern railway, 21; United States Steel, 284; the preferred, 78%, and so on. There were many declines of 3 to 4 points in the inactive list Pittsburg C. C. 2013 St. active list, Pittsburg C. C. and St. Louis broke 15 and rallied 5. Northern Securities sold below 86 on the curb. The speculative leaders rallied 1 to 1½ at noon. Bonds were

very weak at noon.

The rally in prices after the noon hour was long continued and was a counterpart in many respects to that following the opening, as it was most effective in pretty much the same stocks, St. Paul, Missouri Pacific, Union Pacific, Canadian Pacific, Rock Island, Baltimore and Ohio, Norfolk and Western, Pennsylvania, Reading, Atchison, Sugar and People's Gas got back to yesterday's close, or only a small fraction below, while Amalgamated sold 1½ and New York Central ¾ above. The general run of stocks ruled a point or two above

the lowest. Liquidation continued in some of the dormant stocks.

Among the stocks which today sold at a lower price than was reached even on May 9, 1901, were Amalgamated Copper, American Sugar, Baltimore and Ohio, Brooklyn Rapid Transit, Consolidated Gas, New York Central and Pennsylvania. United States Steel common and preferred shares reached for the prices touched momentarily on May

The market made a rally shortly after 12

o'clock and sentiment became somewhat

more cheerful. New York Stock Market.

Furnished by W. B. Hibbs & Co., bankers and brokers, 1419 F st., members New York stock exchange, Washington stock ex-change and Chicago board of trade. Open. High. Low. 3p.m 51 58% 51 52 83% 83% 83 88 Amalgamated Copper ...

Am. Car & Foundry...... Am. Car & Foundry.pfd. American Smelting..... American Smelting.... American Sugar..... 3314 8314 45% 45% 44% 46% 115% 11714 843/4 66 927/6 811/4 56 119 General Electric..... Nortolk & Western...... Pennsylvania R. R...... People's Gas of Chicago Pressed steel Car eading. lst ofd..... teading, 2d ptd..... Republic Steel & Iron... outhern Railway pfd -ennessee Coal & Iron. exas Pac United States Steel, pfd_